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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 285 **February, 1984**

Postscript For 1983

This month we are able to report the Virginia taxable retail sales data for December 1983, completing the picture for the 1983 Christmas season. By any measure, the results were spectacular. For perspective, keep in mind that nationally sales of retail stores in December 1983 were 10.5 percent above December 1982. Also, for Virginia the *1982* Christmas sales were stronger than nationally. Against that background, let us review Virginia's growth, shown in the last column of Table II. All of the seventeen urban areas we cover experienced sales increases well above the national rate. The lowest growth rate, 14.6 percent in Staunton, still was 39.0 percent above the national one. Truly phenomenal growth rates occurred in many areas: Harrisonburg, 52.0 percent; Fredericksburg, 36.1 percent; Alexandria, 35.2 percent; and Winchester, 33.0 percent. For the entire State, taxable retail sales were up 25.8 percent in December 1983, almost 2.5 times the national growth rate.

In the December issue, we bullishly said we expected "Virginia taxable retail sales for 1983 very close to the $26.0 billion level." The strong Christmas surge pushed the total above that level, to $26.3 billion. Therefore State taxable retail sales for the year 1983 were 20.0 percent above the 1982 level, an exceptional performance even in a year of economic recovery. Remember, though, that these recovery period growth rates are not sustainable as we move into the expansion phase of the cycle. Our expectation for 1984 still is the same as in the January issue, that taxable sales for Virginia in 1984 will be about 10 percent above the 1983 level.

Business in Virginia January, 1984, Data

The January economic momentum generally remained strong, although as expected some of the major indicators which lead or coincide with broad economic movements are beginning to show lower growth rates. One leading economic indicator, building permits, did accelerate, with a 59.8 percent increase in January, 1983 compared to January, 1982. However, this followed growth of 1.9 percent in November and a decline of 3.7 percent in December. For a highly erratic series such as this one, an average of the December and January growth rates gives a clearer perspective. The two-month average growth was 28.0 percent, compared to an average for the year 1983 of 42.8 percent. Thus the January growth cannot be interpreted as an advance signal of a repeat of the 1983 growth rates.

Our best indicator of consumer durable goods demand is new car registrations. In January, 1984 these registrations were 22.8 percent above last January, showing the boom in consumer durable goods purchases still is strong. However the January growth rate was only slightly over one-half of the December rate of 43.4 percent, indicating that the growth is slowing.

The Bureau's retail trade sample for the State actually showed a fall of 0.9 percent in January sales. The decline, however, was almost entirely the result of lower reported sales in Roanoke. If that city is excluded, the January over January results for the rest of the Virginia urban areas show an increase of 6.2 percent, compared to the average 1983 growth of 10.1 percent. By either approach our sample

Chart I

Nine Selected Business & Economic Indicators Percentage Change

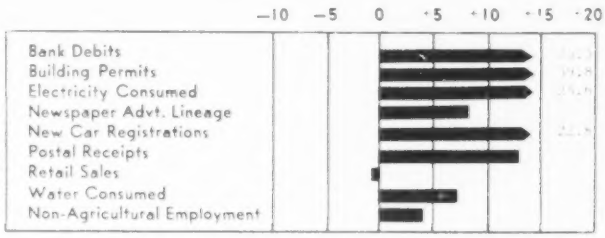
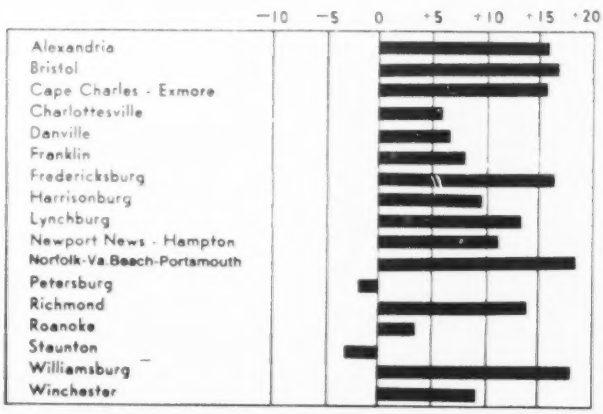


Chart II

City Indices



points to a pause in the growth of consumer demand for non-durables and services. Growth rates later in the spring should improve as we move into the months of stronger tourist activity. However, February could produce another question mark, as it did in 1983.

On the brighter side, electricity consumed, which tends to be a coincident indicator, advanced by a strong 25.6 percent in January. In addition non-agricultural employment, which tends to lag behind upturns in the general economy, continued to show accelerating growth in January. The January growth was 4.3 percent, compared to 2.7 percent in December, providing four consecutive months of increasing growth rates. The 4.3 percent growth in Virginia last month also exceeded the national rise of 4.1 percent over January 1982. Translated to people, this growth means 91,700 more Virginians were employed this January than one year ago. The U.S. Bureau of the Census on February 22nd estimated that Virginia's population was 5.55 million as of July 1, 1983. If one seasonally adjusts the Virginia employment data and compares it to total population, the result shows the Virginia economy is functioning at a rate where approximately 40 percent of the *total* population is employed. In other words, the *current* pace of economic activity is providing one job for every 2.5 men, women and children in the State.

In sum the major economic indicators taken as a group signal that the 1984 expansion still is on track in Virginia. A distinct pause in consumer spending for a couple of months is quite possible following the high growth in late 1983, but the year as a whole still promises to be one of healthy growth in retail sales as well as manufacturing and employment. The other indicators we report add strength to our outlook. Bank debits statewide increased 25.5 percent in January, a much higher growth rate than the 14.3 percent reported for December. Newspaper advertising linage and postal receipts also had higher growth rates in January than in December. After reviewing the available January results, we remain bullish on Virginia for 1984. RLP

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I January 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977 = Base Period = 100)

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		327.6	141.4	160.6	91.4	100.3	99.3	83.7	110.6	266.3
Alexandria	173.9	550.8	177.5	170.6	N.A.	104.9	131.1	72.7	120.3	N.A.
Bristol	123.1	173.4	73.9	144.7	86.1	54.9	N.A.	88.9	115.8	232.7
Cape Charles - Exmore	133.3	180.5	178.6	131.7	N.A.	86.8	N.A.	N.A.	124.6	162.2
Charlottesville	189.1	504.0	1655.7	135.5	N.A.	104.4	N.A.	52.3	158.4	221.6
Danville	102.4	N.A.	449.9	103.3	82.0	79.4	N.A.	61.9	98.6	197.0
Franklin	107.6	N.A.	16.7	132.2	92.3	96.8	N.A.	53.2	96.3	197.3
Fredericksburg	139.2	178.2	36.7	N.A.	107.6	138.0	N.A.	52.7	123.4	246.6
Harrisonburg	140.1	179.0	36.7	N.A.	84.4	94.2	N.A.	129.6	127.6	290.5
Lynchburg	208.6	443.1	39.6	138.7	N.A.	83.5	N.A.	120.6	115.8	335.4
Newport News - Hampton	116.2	N.A.	103.5	143.5	76.8	100.9	121.7	108.9	126.9	N.A.
Norfolk - Va. Beach - Portsmouth	161.1	413.4	260.0	187.6	99.4	96.3	119.3	70.3	155.2	N.A.
Petersburg	108.5	179.9	1672.4	N.A.	63.8	68.0	N.A.	82.2	103.4	163.6
Richmond	136.5	289.9	N.A.	178.3	93.4	111.0	123.6	82.4	94.3	203.5
Roanoke	121.6	271.3	7.1	113.8	100.8	67.4	106.4	97.5	82.5	211.2
Staunton	104.5	104.5	13.0	N.A.	85.2	83.8	N.A.	N.A.	88.3	191.3
Williamsburg	124.5	143.8	33.9	184.9	N.A.	139.7	N.A.	67.1	76.9	218.0
Winchester	142.3	247.1	27.3	144.3	110.1	111.4	N.A.	122.6	97.2	253.4

TABLE II January 1984

Percentage Change from same month last year

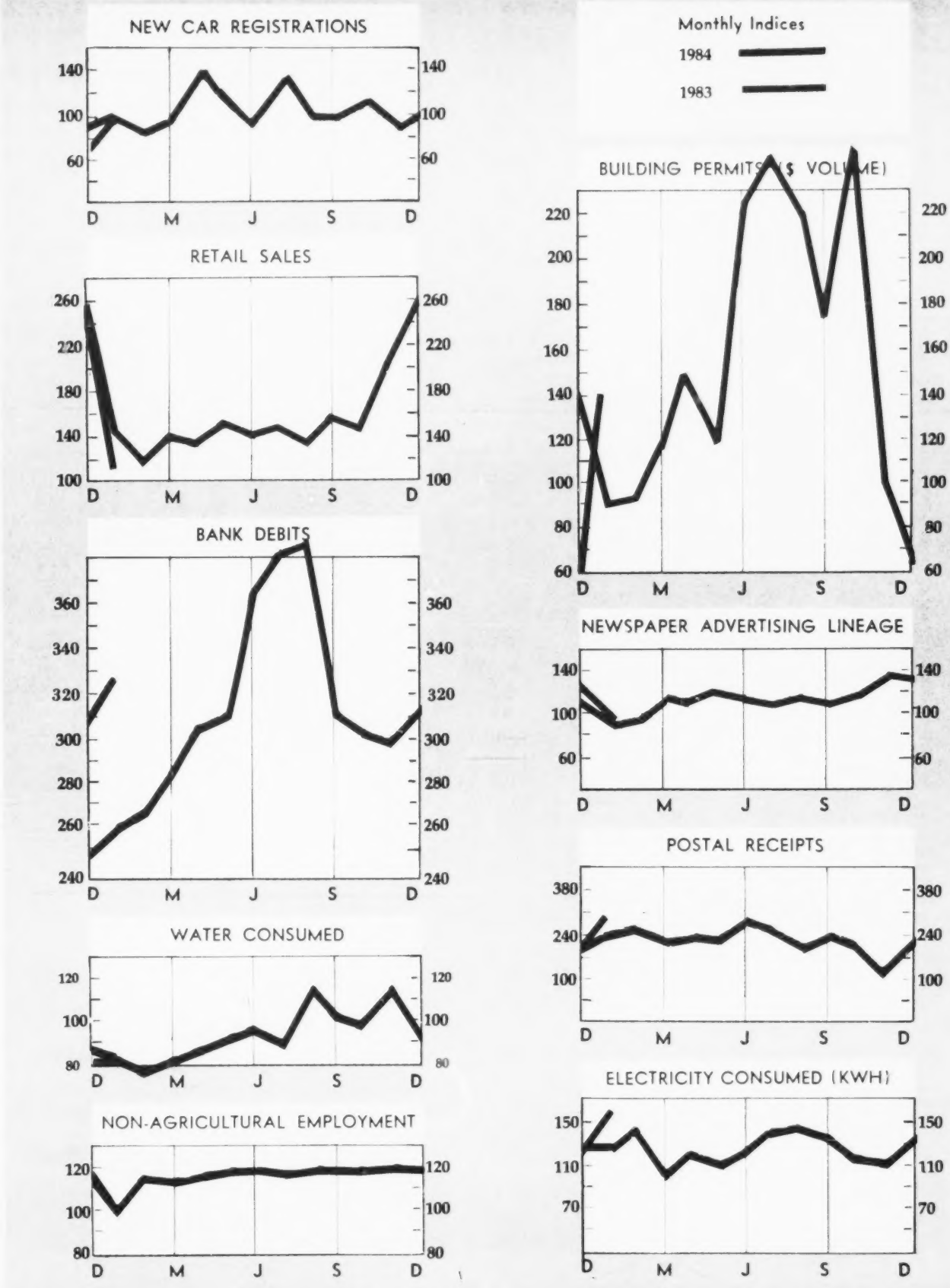
CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	RETAIL SALES ‡
The State		25.5	39.8	25.6	9.0	20.5	4.3	7.2	16.9	19.8
Alexandria	15.8	46.3	38.8	22.5	N.A.	13.6	6.0	-1.0	11.9	35.2
Bristol	17.1	15.4	221.5	19.4	45.0	33.8	N.A.	44.5	21.1	25.9
Cape Charles - Exmore	15.6	12.6	37.8	12.6	N.A.	45.0	N.A.	N.A.	1.2	20.3
Charlottesville	5.8	41.3	1247.2	28.2	N.A.	10.9	1.7	42.5	0.3	18.4
Danville	6.3	N.A.	866.5	8.2	10.3	8.2	2.9	2.6	1.1	19.6
Franklin	7.7	N.A.	28.2	17.9	0.9	16.9	N.A.	15.8	3.0	21.4
Fredericksburg	16.8	21.8	72.5	N.A.	11.2	30.0	N.A.	8.5	11.3	36.1
Harrisonburg	9.9	12.3	4.6	N.A.	5.1	14.2	N.A.	15.4	7.7	38.0
Lynchburg	13.7	0.3	27.9	16.1	N.A.	16.2	N.A.	32.1	10.3	19.0
Newport News - Hampton	11.2	N.A.	32.3	23.7	10.1	21.0	6.4	17.7	2.1	27.4
Norfolk - Va. Beach - Portsmouth	18.9	63.6	83.2	29.1	11.8	13.7	6.3	5.4	13.2	25.3
Petersburg	-2.1	-24.2	3142.3	N.A.	15.1	18.3	N.A.	-6.0	-0.5	18.2
Richmond	14.1	7.8	-24.4	20.7	13.1	46.9	1.1	8.9	2.2	25.3
Roanoke	2.9	45.4	-47.5	17.1	9.4	22.6	3.2	9.7	-28.1	19.0
Staunton	-3.0	12.9	2.6	N.A.	-11.5	9.0	N.A.	N.A.	-10.7	14.6
Williamsburg	17.4	42.7	-12.3	25.6	N.A.	43.7	N.A.	14.3	-1.6	19.7
Winchester	9.1	4.4	2.3	23.1	-7.9	23.9	N.A.	19.8	3.3	33.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
0.0 — No Change


NEW CAR REGISTRATIONS
140
100
60
D
M
J
S
D
RETAIL SALES
260
220
180
140
100
BANK DEBITS
360
340
320
300
280
260
240
WATER CONSUMED
120
100
80
NON-AGRICULTURAL EMPLOYMENT
Monthly Indices
1984
1983
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

Just What Sort of Business Graduate?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley who teaches Business Policy and Transportation Management in the MBA degree program.)

This is the second of a two-part article on the results of a limited survey of Mid-Atlantic region business schools and business executives. The research was conducted by a William and Mary December 1983 graduate, Shotaro Ishihara, a Japanese citizen. The author was principal faculty adviser on his independent research.

The first article dealt with the ten most important of two types of skills: *acquired skills* — of the type taught by good, accredited business schools; and *personal characteristics* — inherent values or attitudes in an individual usually well established by the time the young person is enrolled in a business school. This article, in part, deals with those considered *least important.*

None of the characteristics, either acquired or personal, were considered of no importance on the questionnaire responses, which were to be graded: 1 - most important, 2 - important, 3 - desirable, 4 - not too important, and 5 - unimportant.

Following are the rankings of the six lowest ranked *acquired skills,* together with the arithmetic mean accorded each by the two respondent groups. The arithmetic means will indicate the relative degree of importance attached to that attribute. The greater the number the lesser importance.

Business Schools

Deep knowledge of a particular specialty	3.13
Contemporary business issues	2.41
Statistics	2.38
Production & Operations	2.31
Applied economics	2.31
Computer knowledge	2.13

Business Executives

Statistics	3.56
Applied economics	3.47
Deep knowledge of a particular specialty	3.16
Contemporary business issues	2.75
Computer knowledge	2.75
Production & operations	2.65

Following are the rankings of the six lowest *personal characteristics,* together with arithmetic means which indicate the relative degree of importance attached.

Business Schools

Dress, poise and etiquette	2.38
Competitiveness	2.34
Ability to work alone	2.26
Pragmatism	2.25
Assertiveness	2.11
Patience	2.09

Business Executives

Competitiveness	2.53
Assertiveness	2.37
Persuasiveness	2.35
Pragmatism	2.30
Patience	2.16
Dress, poise and etiquette	2.15

It *must be emphasized* that NONE of the above are considered unimportant. For example, however, business executives rank both statistics and applied economics somewhere between *desirable* and *not too important.* Similarly, business schools which are supposed to be educating bright young people for managerial careers rank general social form and appearance as slightly above the mid point between *desirable* and *important.* Equally disturbing, at least to the author, is the low ranking given by both groups to *competitiveness.*

Whereas, in the ten most important attributes, discussed in part one, there was considerable unanimity among the respondent groups, there is some, but not as much, agreement at the lower end of the scale.

Overall, the top managers of relatively small companies (sales up to $250 million in the Mid-Atlantic region) seem to want an MBA program to emphasize human relations as well as technical skills. Business schools recognize the importance of human relations but tend to appreciate the scientific management skills more than do the executives.

Both groups, in an open-ended question at the end of this student's independent research, agreed on the areas which would be important in the next five to ten years: communication skills, computer knowledge and human relations.

The entire exercise raises in the mind of the author a most important question: Are business schools supposed to lead or to follow — or, perhaps, do a little of both?

If a business school abrogates its responsibility to be at the cutting edge of new business knowledge and techniques to the current desires of business enterprises, then we will be educating students for the jobs of today and not for tomorrow. On the other hand, if business schools go too far in exotic applications of hard-to-understand techniques we well may be defeating the ultimate purpose of graduate business education, the providing of future managers who can progress in the business environment of today and thus lead their enterprises into the subtle complexities of tomorrow.

It seems to be a delicate balance for both participants in this partnership. Business schools need to understand what business enterprises need and want; perhaps the enterprise managers also need to understand what skills can be taught and what characteristics can be honed among our students.

More on this business school — business enterprise partnership in coming issues. MMS

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